

Paul Ryan: Welfare reform can be a model for the rest of the safety net

By Brad Plumer , Updated: March 12, 2013

Paul Ryan's [budget](#) doesn't just set new spending and revenue levels. He also envisions an overhaul of America's safety net — using the 1996 welfare reform law as a model.

“After the welfare reforms of 1996, child poverty fell by double digits,” Ryan [wrote](#) in his Wall Street Journal op-ed on Tuesday. “This budget extends those reforms to other federal aid programs. It gives states flexibility so they can tailor programs like Medicaid and food stamps to their people's needs.”

So what would Ryan's reforms entail, exactly? He's mainly talking about transforming Medicaid into a smaller block-grant program and adding new work requirements for food stamps. Let's take a closer look.

What did the 1996 welfare reform do? Back in 1996, Bill Clinton signed [a bill](#) that ended the old system of direct welfare to poor families with children. Instead, under the new Temporary Assistance to Needy Families (TANF) system, states would receive block grants from the federal government to spend on a variety of programs, from cash benefits to child care to occupational training. The idea was that states would steer welfare recipients away from aid and into jobs.

How that reform fared is still [subject to much dispute](#). States *did* manage to shrink their caseloads significantly. And, during the 1990s, the poverty rate fell. It looked like the program was working. Yet critics have argued that the booming economy and the Earned Income Tax Credit deserve most of the credit here. Meanwhile, the poverty rate rose again in the 2000s and TANF didn't respond. One reason welfare reform is cheaper today is that it simply helps fewer families in poverty.

So what's Paul Ryan trying to do this time around? His budget proposes two major reforms on the safety-net front. First, Medicaid would be transformed into a block grant to the states, with funding tied to inflation and population growth. Second, the food stamps program would be converted into a block grant, with new work requirements for recipients.

How would Medicaid block-granting work? My colleague Suzy Khimm [explained it all](#) last August. “Currently,” she noted, “the federal government provides matching, open-ended funds to states, which each run their own Medicaid program. The Ryan plan would instead give states a block grant with a hard annual cap that would be adjusted to population growth and inflation, but it would not factor in rising health-care costs or economic conditions that impact state budgets.”

The result? The federal government would spend \$756 billion less on Medicaid over the next 10 years than currently projected.

But this would also likely mean fewer people covered overall. The Congressional Budget Office [has noted](#) that these cuts would “probably require states to reduce payments to providers, curtail eligibility for Medicaid, provide less extensive coverage to beneficiaries, or pay more themselves than would be the case under current law.” The Kaiser Family Foundation [has argued](#) that as many as 30 million people could lose Medicaid coverage by 2021, compared with current law.

How would the food stamp block-granting work? Somewhat similar to Medicaid. Right now, states receive money based on how many people they have enrolled in the program. As such Ryan argues, states have little incentive to shrink their rolls or root out waste and fraud.

Instead, Ryan’s budget would convert the food-stamp program into a block grant, indexed for inflation and eligibility. It would also encourage new time limits and work requirements for the program. However, the budget recommends that these reforms come “gradually to give states and recipients time to adjust.”

Ryan’s budget does not specify how much in savings would come from this. Currently, the federal government spends about [\\$81 billion](#) on food stamps, a spike that came about as a result of the recession and a temporary boost to the program in the stimulus. But spending on food stamps is expected to fall considerably in the years ahead as the economy improves, regardless of what reforms Congress carries out.

So is the 1996 welfare reform a good model for Medicaid and food stamps? I put this question to two experts on opposite sides of the 1996 welfare reform law.

On the pro side is Ron Haskins of the Brookings Institution, one of the architects of the 1996 law. He generally supports the idea of block grants and adding work requirements to food stamps, though with one big caveat. “It’s a lot more difficult to get a job now than it was back in 1996,” he says. “Our timing with welfare reform could not have been better—there were jobs galore in the late ’90s.”

As such, Haskins says, Congress would have to be careful this time around about things like work requirements and time limits. To take one example: The number of people on food stamps, he notes, “tends to be very responsive to the state of the economy.” If a recession came around and states were limited on how much they could spend, they might simply end up cutting benefit levels.

Meanwhile, on the con side is Liz Schott of the Center on Budget and Policy Priorities. She notes that the block-grant model doesn’t work well as a safety net. As an example, food stamp use rose during the recent recession to accommodate the increase in poverty and unemployment, but [welfare caseloads barely budged at all](#). “Block grants aren’t a good design for a safety-net program,” she says. “Demand rises but states don’t have the money.”

Schott also notes that there was at least some logic in giving states more flexibility in how to spend welfare funds — they could shift money over to training programs or child care as recipients sought jobs. “But for something like SNAP or Medicaid,” she says, “that same

concept just doesn't work.”

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